



DEFENSE SECURITY COOPERATION AGENCY

WASHINGTON, DC 20301-2800

S-0778

13 FEB 2002

In reply refer to:  
I-01/013483

The Honorable Bob Stump  
Chairman, Committee on Armed Services  
House of Representatives  
Washington, D.C. 20515-6035

Dear Mr. Chairman:

Pursuant to the reporting requirements of Section 36(b)(1) of the Arms Export Control Act (AECA), as amended, we are forwarding herewith Transmittal No. 02-06, concerning the Department of the Navy's proposed Letter(s) of Offer and Acceptance (LOA) to Egypt for defense articles and services estimated to cost \$255 million. Soon after this letter is delivered to your office, we plan to notify the news media.

Sincerely,

A handwritten signature in black ink, reading "Tome H. Walters, Jr.", is positioned above the typed name.

TOME H. WALTERS, JR.  
LIEUTENANT GENERAL, USAF  
DIRECTOR

Attachments

Notice of Proposed Issuance of Letter of Offer  
Pursuant to Section 36(b)(1)  
of the Arms Export Control Act (U)

- (i) Prospective Purchaser: Egypt
- (ii) Total Estimated Value:
- |                          |                      |
|--------------------------|----------------------|
| Major Defense Equipment* | \$153 million        |
| Other                    | <u>\$102 million</u> |
| TOTAL                    | \$255 million        |

Description and Quantity or Quantities of Articles or Services under Consideration for Purchase: In support of their Fast Missile Craft Program for 53 RGM-84L-4 Harpoon Block II anti-ship missiles, four PHALANX Close-In Weapon Systems (CIWS), 50,000 rounds of 20mm tungsten ammunition, four AN/SWG-1A Harpoon Shipboard Command Launch Control Systems, spare and repair parts, support equipment, publications, U.S. Government and contractor technical and logistics personnel services and other related elements of logistics support.

Military Department: Navy (LDU)

- (v) Prior Related Cases, if any:
- FMS case ABZ - \$68 million - 18Apr98  
FMS case ABW - \$48 million - 27Jan98  
FMS case AAZ - \$53 million - 6Jun94  
FMS case AAU - \$39 million - 27Aug90  
FMS case AAG - \$38 million - 24Nov83

Sales Commission, Fee, etc., Paid, Offered, or Agreed to be Paid: None.

Sensitivity of Technology Contained in the Defense Article or Defense Services Proposed to be Sold: See Annex attached.

Date Report Delivered to Congress: 13 FEB 2002

\* as defined in Section 47(6) of the Arms Export Control Act.

## POLICY JUSTIFICATION

### Egypt - Weapons Support for the Fast Missile Craft Program

The Government of Egypt has requested a possible sale in support of their Fast Missile Craft Program for 53 RGM-84L-4 Harpoon Block II anti-ship missiles, four PHALANX Close-In Weapon Systems (CIWS), 50,000 rounds of 20mm tungsten ammunition, four AN/SWG-1A Harpoon Shipboard Command Launch Control Systems, spare and repair parts, support equipment, publications, U.S. Government and contractor technical and logistics personnel services and other related elements of logistics support. The estimated cost is \$255 million.

This proposed sale will contribute to the foreign policy and national security of the United States by helping to improve the security of a friendly country which has been and continues to be an important force for political stability and economic progress in the Middle East. This sale is consistent with these U.S. objectives and with the 1950 Treaty of Mutual Cooperation and Security.

The Fast Missile Craft will be acquired by direct commercial sale and notified by a separate 36(c) notification. These additional systems, which are to be installed on the Fast Missile Craft, will allow Egypt to maintain its current defensive capability. Egypt currently has CIWS and Harpoon missiles in their inventory and will have no difficulty absorbing these additional weapons systems.

The proposed sale of this equipment and support will not affect the basic military balance in the region.

The principal contractors will be The Boeing Company of St. Charles, Missouri and Raytheon Company of Tucson, Arizona. There are no offset agreements proposed in connection with this potential sale.

Implementation of this proposed sale will require the assignment of four contractor representatives for the follow-on technical support services to Egypt.

There will be no adverse impact on U.S. defense readiness as a result of this proposed sale.

Notice of Proposed Issuance of Letter of Offer  
Pursuant to Section 36(b)(1)  
of the Arms Export Control Act

Annex  
Item No. vii

(vii) Sensitivity of Technology:

1. The MK 15 Block 1B PHALANX Close-In Weapon System crystals which contain the operating frequencies of the weapon system are considered critical technology and are classified Confidential. Select maintenance and operation publications are also classified Confidential.

2. The AN/SWG-1A Harpoon Ship Command Launch Control System (HSCLCS) uses target position data to compute a fire control solution for missile launch. It includes equipment for monitoring and controlling Harpoon missile launching and for performing maintenance and training procedures. The AN/SWG-1A provides capabilities such as automatic engagement planning, waypoint options, off-axis launch, salvo select options, and background ship avoidance. The HSCLCS contains sensitive technology and has the following classified components, including applicable technical and equipment documentation and manuals:

- (1) HARPOON control console
- (2) HSCLCS embedded trainer

3. The RGM-84L-4 Block II Harpoon missile, excluding a land strike capability (coastal target suppression), provides a Global Positioning System/Inertial Navigation System capability with improved Anti-Surface Warfare against ships in the open ocean and littoral waters. The HARPOON missile contains sensitive technology and has the following classified components, including applicable technical and equipment documentation and manuals:

- a. Guidance Section Components
  - (1) radar seeker (S)
- b. AN/SWG-1A(V) Command Launch System
  - (1) Harpoon control console (C)
  - (2) Harpoon embedded trainer software (C)
- c. Missile Characteristics and Performance Data (S)

4. If a technologically advanced adversary were to obtain knowledge of the specific hardware and software elements, the information could be used to develop countermeasures which might reduce weapon system effectiveness or be used in the development of a system with similar or advanced capabilities.

5. A determination has been made that Egypt can provide substantially the same degree of protection for the sensitive technology being released as the U.S. Government. This sale is necessary in furtherance of the U.S. foreign policy and national security objectives outlined in the Policy Justification.